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September 1, 2006

DOCKETED BY	<i>WLL</i>
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Dennis Sim  
Walnut Creek Water Company, Inc.  
2506 Oatman Road  
Kingman, Arizona 86413

RE: Walnut Creek Water Company, Inc. – Application for Extension of its Certificate of Convenience and Necessity (CC&N) Docket No. W-02466A-06-0504  
INSUFFICIENCY LETTER

Dear Sir:

In reference to the above mentioned application filed on August 7, 2006, this letter is to inform you that the application has not met the sufficiency requirements as outlined in the Arizona Administrative Code. The deficiencies are:

1. Please provide the request for service from all the property owners in the proposed extension area.
2. Please provide a map of the requested service territory with an identification of the respective property owners requesting service.
3. Please submit a drinking water design report which clarifies how water will be provided to the proposed CC&N area.

The report should identify existing and future sources, the capacities of existing sources, the estimated capacities of future sources and any existing demand on the present water sources.

The report should include the estimated water demand from a typical dwelling unit, the estimated demand from the proposed CC&N area.

The report should identify the location of future and existing transmission mains and include the timing or construction phasing of facilities.

The design report should describe water quality and address any water quality problems with the existing and future sources of water (as an example, will extra treatment costs arise in order to meet existing or future maximum contaminant levels for arsenic nitrates

or fluorides in the drinking water and if so, how does the applicant plan to fund the necessary treatment plant additions).

Please provide any other information which will allow the Commission to analyze and conclude that the company has sufficient water production capacity, or can develop enough drinking water capacity to service the existing and future demands from the proposed CC&N extension area.

4. Arizona Department of Water Resources ("ADWR") Decision and Order, dated June 27<sup>th</sup> 2005, stated that Walnut Creek plans to serve an additional 677 lots. Please confirm that proposed 32 new customers for next 5 years for this requested CC&N area will be included in the 677 lots.
5. Please provide a set of design plans for the proposed water facilities. If final plans are not available, preliminary design plans should be provided.
6. Please provide an estimate of the water construction costs to the Applicant, necessary to serve the proposed CC&N extension area. The costs should include a description of the major components with the cost of the component (i.e., wells, number and size of storage tanks, water treatment plant, etc.). The method of financing for the major components should be specified.
7. The Company, in 2005 Annual Report, reports its June gallons sold at 4,120,000 which is more than 4,037,000 gallons pumped. Please explain and verify the correctness of this figure. Also, please explain and verify the figure for March, and May.
8. Please provide gallons pumped from January to June, 2006.
9. Please provide the total estimated annual operating revenue from the extension area for each of the next five years.
10. Is the Company aware of competing projects utilizing groundwater in Mohave County that plan on using the same groundwater aquifers as the Company? If so, please provide a list of all such competing water projects. Also, please identify which aquifer(s) the projects would affect.
11. Please identify the aquifer(s) that will be affected by the proposed CC&N extension.
12. Will any artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features be built in the requested area? If so, does Walnut Creek plan to use groundwater at the beginning of the project for artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features, and if so, for how long? Please explain in detail.

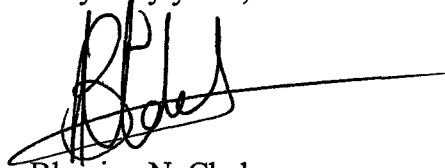
13. At what point in time does Walnut Creek intend to utilize effluent for artificial lakes, golf courses, ornamental structures, open spaces, and any other aesthetic water features? Please explain in detail. Please be sure to include the number of houses that would have to be built in order to generate enough effluent for such uses.
14. Please indicate who will be providing wastewater service in the proposed extension area.

Staff would like to use this opportunity to bring the following to your attention:

- Pursuant to the Arizona Administrative Code ("A.A.C.") R-14-2-411(C), upon meeting sufficiency requirements, the Commission has 150 calendar days for its substantive review. This includes conducting a hearing and preparing Opinion and Order to present to the Commission at an Open Meeting; and
- Pursuant to A.A.C. R14-2-411(C)(3), Staff may terminate an application if the applicant does not remedy all deficiencies within 60 calendar days of the notice of deficiency.

If you have any questions concerning this matter, please do not hesitate to contact me at 602-542-0840, Dorothy Hains at 602-542-7274.

Very truly yours,

A handwritten signature in black ink, appearing to read 'B. Chukwu', with a long horizontal line extending to the right.

Blessing N. Chukwu  
Executive Consultant III

BNC

cc: Docket Control  
Del Smith  
Lyn Farmer  
Brian Bozzo  
Vicki Wallace